

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

MEMORANDUM

TO: Legislative Audit Committee Members

FROM: Jim Pellegrini, Deputy Legislative Auditor, Performance Audits

DATE: November 2003

RE: Is a performance audit of the Titles and Liens Process within the Department of Justice warranted at this time (03P-08)?

INTRODUCTION

The Legislative Audit Committee, in its ongoing decision-making process, voted to designate the Titles and Liens Process of the Motor Vehicle Division as a "high to medium priority" for performance audit work in the 2003 biennium. We conducted preliminary planning audit work to evaluate operations. Based on our review, recent changes implemented by the department to help strengthen program operations diminish audit risks and make the timing of a potential audit less appropriate. The following memorandum summarizes our preliminary audit work.

BACKGROUND

The Motor Vehicle Division (MVD), Department of Justice, is responsible for a variety of services including:

- ♦ Titling, filing and releasing liens, and registering motor vehicles
- ♦ Examination and licensure of all drivers
- ♦ Control of driver privileges of convicted drivers
- ♦ Creation and maintenance of permanent driver and motor vehicle records
- ♦ Verification of vehicle ID numbers
- ♦ Licensure, audit, and compliance control of motor vehicle dealers and manufacturers
- ♦ Training for county treasurers, dealers, and financial institutions
- ♦ Providing essential driver/motor vehicle information to law enforcement
- ♦ Providing public services & information

The Division is organized into three bureaus and one unit: 1) Title and Registration Bureau (TRB), which is located in Deer Lodge, 2) Field Operations Bureau, 3) Records and Driver Control Bureau, and the Training and Information Unit. TRB is responsible for title and lien operations.

The MVD is funded almost entirely by General Fund (approximately 95 percent). The TRB budget is approximately \$2.3 million per year. TRB generates more than \$100 million annually for the General Fund through statutory title/lien-related fees and penalties. Some of the revenue generated from fees and penalties is deposited in the Motor Vehicle Information Technology System account, a state special revenue account, for development of a new computer system. Currently, the TRB has 60.5 FTE.

The following list provides some annual statistics for TRB:

- ♦ Maintains more than 2.5 million vehicle records
- ♦ Generates over 500,000 titling transactions
- ♦ Files or releases around 300,000 lien documents
- ♦ Responds to over 250,000 requests for information
- ♦ Registers, through county treasurers, over 1 million vehicles
- ♦ Licenses/regulates 1,500 vehicle dealers
- ♦ Issues over 15,000 handicapped permits

Title Processing

Title processing within TRB starts with collection of the mail every morning. Title requests are opened, date stamped, and distributed to a processing basket. If the proper fee is not enclosed, or there is missing documentation, the title request goes back to the customer. Title requests come directly from customers as well as from county governments.

The next phase of the process is certification. Workers obtain title requests from processing baskets and take appropriate actions. Once the transaction is processed, the title is upgraded in the department's computer system. Titles are printed and include a fact sheet. The fact sheet, which contains the same information as the title, is kept with TRB's original documentation. Once titles are printed, they are routed to outgoing mail for delivery to the customers.

The final phase of the process involves transfer of original documentation to a permanent storage media. Prior to July 2003, TRB personnel transferred all original documentation to microfilm. Currently, TRB personnel use an imaging process to scan original title documentation and save information in an electronic format. Original documentation is destroyed after being transferred to the permanent storage media. A lien transaction would follow this same process.

Recent Changes in Program Operations

The 2001 Legislature passed HB 577, referred to as the Titling Project. The bill authorized a \$4 increase in lien filing fees to fund a loan to the department to examine,

reengineer and implement a more modern titling process. Of the \$8 lien filing fee, \$4 goes to the General Fund, and the remaining \$4 goes to the Motor Vehicle Information Technology System Account for use in repaying debts or paying costs directly for the creation and support of the new system. The Board of Investments provided funding via a loan through its INTERCAP Bond Program (tax-exempt bonds).

The project's overall goal was to redesign TRB's title process to create a more efficient business process workflow that better serves Montana motorists, local government and law enforcement. There were several goals of the project including:

- ♦ Have 90 percent of titles mailed out within five working days.
- ♦ Reduce paper flow while maintaining customer service.
- ♦ Reduce the number of forms being used (over 200).
- ♦ Keep operation of the new title system revenue neutral.
- ♦ Make title processing information available via the Internet.

MVD hired a contractor to complete the project. The majority of project funding, approximately \$4.2 million, was used for payments to the contractor. The contractor produced various documents including the following:

- ♦ As Is – described the system used by TRB.
- ♦ To Be – described how the TRB would like the system to operate.
- ♦ Transition Plan – described the plan for getting from “as is” to “to be”.
- ♦ Title Improvement Packages – details selected process changes. A “TIP” can typically be implemented within a three to six month time period to improve the effectiveness of the vehicle title process from the perspective of a customer, stakeholder, business partner or the Department, and have an immediate, cost effective improvement impact.
- ♦ Existing Metrics (statistics) Inventory – identifies what is currently measured, how it is measured, strengths and weaknesses, and recommendations for improvement.
- ♦ Metrics (statistics) Change Management – summarizes efforts to develop an online metrics inventory, a metrics change process, and an inventory maintenance process.

According to documentation, some of the changes implemented include:

- Allowing correction of non-substantive errors on county title requests
- Using the system to verify lien information
- Eliminating archiving of undeliverable titles
- Mailing transactions requiring additional information directly to the customer
- Using the system, rather than microfilm research, for certification
- Showing liens on new titles until the lien is released
- Closing the title at printing rather than indexing to update the system quicker
- Accepting county-rated title work for non-complex transactions
- Issuing titles at the time the transaction is entered into the system

- Eliminating special mailings to addresses other than the one on title (per statute)
- Cross training personnel

For some of the changes noted above, a pilot program was implemented, tested, and subsequently approved for expansion to the entire program. There were numerous other changes made, some of which were fairly simple such as providing staff members the manual in electronic format and organizing and standardizing electronic directories. We verified some of the changes implemented. For example, one change involved allowing TRB personnel to correct non-critical errors on title work submitted by counties rather than sending it back to the county for correction.

The Titling Project involved contacting key players in the process, which include counties, lending institutions, and auto dealers, to obtain input on what the process needed. The project also included a phone survey and analysis of other states. There is an advisory committee attached to the project. Representation on the committee includes the legislature (Senators and Representatives), county commissioners, county treasurers, Montana Bankers Association, Montana Credit Unions, Montana Automobile Dealers, TRB, and the Department of Administration.

Additional System Changes

The current titling computer system, referred to as the “Legacy System”, was developed in the late 1980’s. It is a complex system that is used to generate receipts, enter and track titles, registrations, personalized plates, registration tabs, letter writing, and dealer management. It is comprised of over hundreds of programs and files in a large hierarchical database.

The following is an excerpt from one of the HB 577 deliverables:

The existing Title and Registration System was implemented in 1989, and was not originally designed with metrics (statistics) in mind. There is little tracking of historical changes to records, and only a few key dates/times are being captured. There was no provision built to capture counts, time frames, or other types of information that would be valuable for metrics generation. At the same time, manual counting of activities was implemented to capture various required metrics since the system was not able to produce the data. Initially, the majority of the collection activities were handwritten on paper. Over time, many of them have been captured in Word and Excel documents. Some have been automated to roll up numbers for weekly, monthly, annual and even multi-year reports.

Developing a New System

The 2003 Legislature passed HB 261, effective July 1, 2003. The bill increased the department’s spending authority (created by HB 577) by \$18 million to fund a motor vehicle information technology system. Debt from the loan obtained to develop and implement the new computer system will be retired with funds generated from a \$5 increase in title fees. As with the HB 577 project, the \$5 increase in title fees will be deposited in the Motor Vehicle Information Technology System Account. The new

system will consolidate technology for title, registration, and driver's license operations. The department plans to follow the same processes used for the Titling Project (HB 577) to implement HB 261.

Timing of an Audit is Not Appropriate

The main issue prompting review of this program was turnaround time for issuing titles. Turnaround time is the time needed to process a title, and is calculated by comparing the current date with the date a title request was received. Turnaround time is used to provide an estimation of the backlog of title requests by number of days. Based on available division documentation, in the last four years the highest backlog was 56½ days in September 1999. Documentation through January 2003 indicates an 8-day turnaround time for the last two weeks of December 2002. The documentation also indicates that from April 2000 through June 2000, the turnaround time went from 9 days down to 3 days and back up to 5 days. This timeframe was prior to implementation of HB 577 changes. According to TRB management, personnel worked overtime to reduce the backlog. While currently not tracked due to lack of a backlog of requests, according to program managers, the turnaround time for issuing titles is now down to 1 day. The goal for the Titling Project was 5 days.

Our initial focus on an audit approach was to determine if there was a better way to handle title/liens in order to reduce paperwork, provide better service, and increase efficiencies to gain additional time for completing other duties. It appears the Titling Project also focused on these areas, and with implementation of a new computer system (HB 261), additional improvements may also be realized. Therefore, now does not appear to be the appropriate time for completing a performance audit. TRB has implemented business changes and is now pursuing a new computer system to handle not only titles, but also registration and driver's licensing. Allowing the program an opportunity to operate under the new system for several years to "work the bugs out" and compile data would provide more pertinent information for a review. At that point, an audit could include an independent verification of system capabilities and changes, and provide the legislature feedback on the success or failure of the projects. Thus, if the Committee chooses to pursue some type of review, our recommendation would be to postpone any audit for at least two years after the new computer system is completely in place.